

Chapter 7. Finance Planning Framework

[DRAFT Annotated Outline]

About This Chapter

The purpose of this chapter is to:

- (1) Create a common and comprehensive understanding of current [finance] conditions;
- (2) Provide a framework for improving integrated water management funding and finance;
- (3) Provide a menu and trade-off assessment of available finance mechanisms;
- (4) Present data, information and stakeholder input such that it supports findings, principles and shared value statements.
- (5) Document next steps for further implementing the finance storyboard and for creating effective finance recommendations in Chapter 8 – Implementation Plan.

This Update 2013 Finance Framework chapter addresses these topics:

- Key Definitions
- Findings
- Framework
- Next Steps

Key Definitions: *[Note: This will be a box or sidebar]*

- Funding - TBD
- Finance – TBD
- *Finance Storyboard* – A logically sequenced planning framework that provides a common language and understanding of the suite of finance issues that are critical for advancing statewide IWM finance planning.
- Finance Strategies - TBD
- Expenditures - TBD

Findings

The purpose of this section is to highlight findings derived from the data, analysis and stakeholder collaboration conducted as part of the Update 2013 process. The findings represent a significant step forward in the comprehensive understanding of complex finance mechanisms that, over time, were created in a disintegrated fashion. This information was used as the basis for developing the framework described in this chapter as well as shaping the finance objective and related actions in Chapter 8 – Implementation Plan.

Framework

During the Update 2013 process, a finance storyboard was developed in response to several observations and stakeholder input received early in the process. The most prominent observation was that there was no common language, much less common understanding of, the finance methods and issues across California's geographic regions, IWM topics, and levels of government (e.g. local, state, federal, Tribal). The purpose of the storyboard for Update 2013, and beyond, is to identify, and provide an organization for, the suite of issues that are critical for advancing a statewide IWM finance planning effort. It also provided the structure and the flow of logic required to synthesize large volume of information and

stakeholder input such that it supports actionable IWM finance objective and related actions for State policymakers. More specifically, this storyboard provided a foundational approach for the diverse California Water Plan stakeholders and planning partners to conduct discussions and develop a common language and understanding surrounding state integrated water management (IWM)-related activities and funding. The storyboard was developed through extensive collaboration with the Public Advisory Committee, Finance Caucus and other Update 2013 participants.

Finance Planning Storyboard

The storyboard is organized into the eight components listed in the sections below. Each component represents a significant topic that stakeholders and planners felt needed to be part of any statewide IWM finance planning effort. The sequence of the components represents the necessary chronology of the planning effort. For example, it is necessary to define the scope of IWM (component 1) prior to discussing the Role of State Government in IWM (component 5). It is also necessary to clarify the role of State Government prior to estimating future funding demand for said role. Note that the traditional finance planning topic of apportioning costs and identifying funding methods doesn't occur until component 7.

Component 1 - IWM Scope and Outcomes

The purpose of this section is to describe the scope of integrated water management and hence the scope of the finance planning framework. The scope is defined in terms of targeted resource management objectives and outcomes. Additional information on this topic can be found in chapters 2 and 3.

Component 2 — IWM Activities

This section describes the types of IWM activities that must occur to generate targeted benefits identified in component 1. It will include investment categories for the activities at an optimum scale for guiding State IWM investment (i.e., generally roll-ups of various types of regional projects or programs) in a way that is relevant to regional activities (i.e., generally project-level). More information on this topic can be found in chapter 3.

Component 3 — Existing Funding

This section specifies the levels and source of recent and current IWM expenditures. It will include a brief summary of historical local, state and federal expenditures based on the IWM scope described in component 1. Much more detailed data, metadata and information on this topic will be included in chapter 2 and Reference Guide.

Component 4 — Funding Sustainability

This section provides a high level description and qualitative summary of particularly vulnerable funding sources, assumptions and/or expectations. This is intended to help focus planning efforts on IWM activities that are currently unfunded, have no foreseeable funding alternatives or are currently funded in an unsustainable manner. More information on this topic can be found in chapter 3.

Component 5 – State Role and Partnerships

This section summarizes the current and future role of State government in integrated water management.

It will include a description of current and future State government obligations, commitments and future roles in investing in IWM innovation and infrastructure. A more detailed description of the State's role can be found in chapter 3.

Component 6 — Future Costs

This section summarizes total expected future IWM costs throughout California and across local, state and federal governments. It will include a rough estimate of future total IWM funding demand through 2050. Due to the many data gaps that and lack of a consistent method, this estimate will be very high level, but will specify all assumptions and data gaps.

Component 7 — Funding, Who and How

This section includes information for how IWM costs can be distributed and through what finance strategies. An essential first step that has been completed in Update 2013 is identifying and clarifying what guiding principles and values are particularly important to guiding the finance framework. It also includes many shared-value statements that are either more specific than the principles or did not fit cleanly into one of the existing principles. This chapter will also present an analysis of available finance strategies. More information can be found in chapter 3 and the Reference Guide.

Component 8 — Trade-Offs

This section includes a summary of the implications of insufficient IWM investment for the foreseeable future. It will also summarize a development proposal for a decision support system to help quantify trade-offs. More information can be found in chapters 3 and 6.

Next Steps

This section will tie together the finance content in chapter 7. It will provide guidance on future applications and implementation of the finance framework. For example, it will include the assertion that there is value in using the framework to identify and sequence all relevant issues for finance planning activities at any level of government. There is also a great deal more work to be done on several components for Update 2018 and beyond. This section will also provide a transition from this chapter to (and rationale for) the finance objective and related actions listed in the Update 2013 Implementation Plan (Chapter 8).